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COMPULSORY HEALTH INSURANCE

HOWELL CHENEY

To the general principle of health insurance, voluntarily conducted and established on a commercial basis, no one will take exception. We have come to look upon the health insurance of the people with small incomes as just as legitimate a part of their plan of life as either death or accident insurance or a credit or wage system. It is only when the idea of compulsion is applied to it that we have any serious cause for doubt. This is the starting point of all general objections.

It is acknowledged that the simplest forms of voluntary health insurance cost the average working man from two to three times per \$100 of insurance what the same protection per \$100 would cost in units of \$10,000. It is primarily from this angle that a feeling of opposition to existing insurance arises in the workingman's mind. We are probably within the truth in stating that forty to fifty per cent of the premium is an inevitable and necessary carrying charge upon the business of commercially insuring under a voluntary plan great masses of laboring men for small amounts against disabilities arising out of sickness and death.

Our commercial organizations, further be it remembered, have only successfully tackled the problem of Group Insurance, or of insuring as an averaged unit a large number of individuals, as applicable to the hazard of death. In insurance against death they have succeeded in removing one of the insuperable obstacles of expense by treating great groups as units and by looking to the employer to pay the premium in one lump sum. Even here it is predicted that the experiment is doomed to disappointment, if not failure. It may be sound as an insurance proposition. It

has not been tried on any considerable scale except where the employer has paid either the whole or a very large share of the premium and has practically given the insurance as a bonus, gift, or charity to his employees. The underlying motive has been the expectancy of attaching his employees to him by the prospect of reserves accumulating in proportion to the years of service. This motive may work as long as its application is exceptional with higher classes of employees, but has obviously a weakened power as it is generally adopted. It is at bottom a false motive and any employer who expects to solve his wage problems on the basis of either charity or gratitude has only himself to blame for the failure he is courting through dangerous temporizing.

While voluntary and mutual plans of sickness insurance can succeed within a certain field where either the employment policy or the social basis of selection gives a fair average risk, compulsion will automatically add four most important factors to this class of insurance. *First*, a true average of the risk. Under any voluntary plan there is an inevitably higher probability of securing a poorer average risk. *Second*, economy in administration through the forced collection of premiums at the source of the income, thus eliminating all expenses of agents and solicitation, and minimizing the expense of investigation and the payment of claims. *Third*, under a compulsory system a much higher degree of discipline can be enforced against doubtful claims, thus reducing malingerers. Under a voluntary system it is almost impossible to enforce necessarily rigid rules for the protection of all where they happen to exclude individuals who have failed to comply with the requirements through carelessness or indifference. The necessary physical examinations for both membership and benefits are freed from many difficulties when they are enforced legally. *Fourth*, only full legal compulsion will remove the suspicion and distrust with which the majority of laboring men view any attempt of either employers or philanthropists or commercial agencies to promote an insurance of their disabilities.

Because we all of us accept the principle of insurance, practically without opposition today, we often do not stop to analyze the elementary character of the economic reserve that it gives us. The ordinary average working man

is found to lose on an average of from seven to nine days a year from sickness. If he wishes to protect himself against half of the average loss of wages, he has to provide an insurance reserve of, say approximately, half of his wages for nine days, which will cost him from \$10.00 to \$15.00 in premiums a year. This is only true in the event that the loss is an average loss and covers not one individual, but groups of individuals large enough to secure an average loss. As an individual, if he wishes to give himself an equal protection, he has got to provide a fund which would give him half wages during disability, besides providing death benefits of half of one year's wages and medical attendance. It is estimated that the man who is earning \$4.00 a day, if he is uninsured should have reserves behind him of approximately \$1,500 to \$2,000. As an individual, no smaller reserve will give him the same protection that premiums of from \$10.00 to \$15.00, distributed over the whole year, will guarantee. If the man has neither the individual surplus nor the insurance guaranteeing protection when adversity overtakes him, he and his dependents must immediately come down to a lower scale of living, and weakened by ill health he must again shoulder the problem of subsistence for himself and his family, not only with reduced physical strength, but with no material resources to fall back on. It is not surprising that he falls a prey to discontent on one hand and on the other gives himself up, either from ignorance or from superstition, to all sorts of fake remedies and quack doctors.

We have come to look upon insurance as a moral duty, which a man with very material resources behind him owes to his dependents to prevent their being thrown upon a lower scale of living when his immediate income stops. If they are subject to a moral obligation in order to prevent a break in the hopes and aspirations of their children, what is the condition of those to whom the sudden cutting off of support means not only the blotting out of hopes and aspirations, but perhaps of subsistence itself?

To the working man then, sickness insurance is not the luxury that it is to the man of higher income, which allows him to go about his work with a more comfortable feeling of mind that he has not got to pinch himself in any material comforts when some of the major hazards come upon him. To the working man without capital behind him, it

means immediately tackling life from a lower plane with less physical strength and with less food, and hence, with less courage and with infinitely less chance of success. The possibility of creating the necessary reserves seems to inevitably and of necessity depend upon the compulsion that will automatically place this reserve behind him. It is well enough to assume that the working man ought to do it voluntarily. It is unquestionably proven that he will not do it voluntarily. Can he even be expected to do it voluntarily when it is acknowledged that the existing voluntary agencies are either wasteful in administration or unsound in principle? The only relief in sight which will practically work is to compel the deduction at its source of a percentage of wages sufficient to cover the average risk and to so safeguard the essential principles of insurance and the investment of these funds as to guarantee the relief in the hour of need.

The objection is raised that no automatic system can take the place of individual thrift; that the paternalistic or socialistic attempt to compel a man to do what he ought to do for himself is foredoomed to failure and makes for dependency and shiftlessness. Space does not permit of quarreling with the theory of this contention. We can only face the facts which are apparent to all—that the average working man who is earning less than \$1,000 a year does not save and has no reserves behind him. We are all vitally interested in this fact and would like to mitigate it and explain it away if it were possible to do so. If you accept it as a fact, will you veto the application of a principle which you know to be sound in your own life, if this application can only be effectively and broadly secured by compulsion? Will you veto it if you realize that for small incomes especially the insurance principle has a far sounder economic basis than the pure savings idea? He who saves in order to meet a future disability must have a long time in which to do it and exercise great self-sacrifice in saving and skill in investing. He is finally the greater speculator in futures. To lay by, say \$100, a year out of \$1,000 he must have the ideal combination of four factors:—time, self-sacrifice, investing skill, and a justifiable spirit of adventure. And, if he dies at the end of one year, he leaves but \$100, but if he insures he leaves his heirs \$1,500. The saver is an isolated adventurer. He cares

only for himself. The insurer is in strong contrast and rests himself upon the principle of combination and co-operation with all those who are exposed to the same average degree of risk. If this principle is sound for larger incomes, it is beyond dispute for those who are living close to the line of subsistence.

We must first, however, insist that in the enforcing of this principle under compulsion, we can only avoid unreasonable individual injustice if it is limited to groups who are subject to a similar degree of risk. As long as the hazards which are averaged are fairly within the common experience of all of the members of a group, there is no injustice in compelling contributions to a common fund. It is only when it is proven that "A," in contributing to relieving "B's" disabilities, is contributing to a far higher average of risk than he is himself subject to, that injustice occurs.

If we are willing to agree to the idea of compulsion, when limited to groups of a like average of risk, can we bring this compulsion into harmony with our social and legal philosophies?

If it is a part of our political, as well as our moral creed, that it is the duty of every individual to support himself; and if it is the duty of the state to protect itself as far as possible from dependency, why cannot the state compel the individual to actually perform what is recognized to be his universal obligation? We certainly are not willing to give up lightly the immense benefits and liberties that individualism has brought us. We believe in individualism and are going to continue to fight for it. Is it then a contradiction that we are willing to make some sacrifices to accomplish a higher degree of individual support on this earth, here and now? Shall we actually enforce the fundamental duty of self-support in the only practical way it can be accomplished, i. e., by the compulsory contribution to a common fund of all those who are subject to a like degree of economic risk, or shall we continue to attempt the impossible—the salvation of the derelicts of our individualism through the deadening influences of charity and poor relief?

Social workers and socialists exclaim with impatience against the restraints of constitutional limitations in working out social reform. It is confidently believed, however,

that we can find methods of working out this reform under constitutional methods and that in so working it out with strict regard to both individual rights and responsibilities, and under strict observance of sound and tried insurance principles, we will immensely increase its power for social upbuilding.

We would first lay it down as a fundamental and universal obligation of every man and woman of legal age, to provide during their working days for their own self-support during disability and temporary support for their dependents at their death. This is laid down not merely as a moral theory for general guidance, but as a fact of economic necessity, which the state is justified in enforcing. It is foreign to the method of development of the theory to insist that the state must do this to protect itself from dependency, but, if this theory gives the lawyer an added comfort, we need not object to it, unless it necessitates looking upon the exercise of this duty as an exercise of the police power, and the relief as poor relief and charity.

The method of enforcement should logically be through the imposition of an income insurance tax, pro-rated exactly upon the incomes of all classes of individuals within the state who were engaged in any form of labor for profit, i. e., upon all those who had any incomes, without respect to the character of their employment, but with certain obvious and reasonable exceptions, as the theory of the law permitted.

It is fundamental to the purpose in mind that both premiums and benefits be rigidly fixed in relation to income. So also must all individuals be classified according to those who are subject to a like degree of hazard. Only by observing these elementary principles of sound insurance can we guarantee that the compulsion does not bring about the taking of property inequitably from one class of individuals for the support of another class. Also, if we neglect these principles, we shall lose sight of the individual's rights and responsibilities upon which our foundations rest, and will forfeit one of the most valuable influences of such an undertaking—the safeguarding and protection of the health of groups so that the cost may be reduced or the benefits increased. So far the proposal has allowed for the greatest freedom of the individual in placing his insurance and has emphasized the necessity of the

fulfilment of the individual's duties. The removal from any individual or class of an obligation, which clearly rests upon them, for the social betterment of another individual or class must inevitably fail of its purpose.

In the case of insurance, there can be no question but that a relation of dependency of the people upon the state will develop if the individual benefits derived are not purchased by proportionate individual sacrifices. If this is true as regards the receipt of benefits, it is more than true as regards the remedial and curative effects, which should be the most valuable factor to the state of such an insurance plan. Unless individual sacrifices will make for a reduction of the burden of the cost, there will be no incentives upon either individuals or groups to apply the preventive and protective measures which the modern conception of medicine has made available. The greatest benefit of the workmen's compensation law socially has not been in the benefits or compensation paid. It has been in the more direct incentive to prevent accidents, which has been a great economic saving, particularly among self-insurers. So in sickness, if the relation between the cost and its avoidance can be kept simple and direct, the incentives towards the scientific prevention of disease will be powerfully multiplied. We do not appreciate the amount of the cost at present. The first step is to visualize the cost by definitely locating it; the second is to establish more definitely the responsibility for its existence; the third is to apportion justly both the cost and profit for its reduction.

So far we have considered only the responsibility of the individual and the apportionment of the cost in relation to it. In doing this, we have attempted to present a method which is somewhat novel in the modern development of the subject, but which is in conformity with sound, economic and legal ideals.

May we now develop a theory to justify the placing of a part of the burden upon both employers and the state? Heretofore the employer's liability has been very vaguely based upon the theory of his responsibility for occupational diseases, but actually has been based upon the ease with which the tax could be collected from him. There was little justification for or thought of the establishing of an exact relationship between diseases and the conditions of

employment. Probably the amount of disease attributable to employment, in the sense that it is either preventable by the employer or is in excess of the best obtainable standards ruling in any employments, is relatively small. Is not the fact apparent that the great bulk of sickness does not arise out of the conditions of employment, but does arise either out of our personal indulgences and abuses, or out of our relations with each other as citizens or members of a community?

The basis of the employers' and the State's contributions should be justified on some calculable theory of their responsibility for causes. Too exact and rigid a justification in each case need not be insisted upon, and it seems perfectly possible that the statute might establish rules of presumptions of accountability that could only be offset by reasonable proof to the contrary, as well as rules of specific accountability for certain diseases.

Diseases and injuries not covered by existing compensation laws may be attributable to three general sources. *First*, to personal indulgences, abuses, strains or infections arising out of the voluntary acts of individuals or their guardians, other than their choices of employments or habitations. *Second*, to occupational poisons, irritants, strains and infections when resulting from specific conditions of employment. *Third*, to infections and injuries arising out of our social and community environment, not due to employment.

The greater amount of our disabilities is fairly traceable to the person suffering them. The statute might specifically state that the presumption in the following cases was that they were attributable to the individual and that this presumption could only be offset by reasonable proof to the contrary. Under this class would come all petty complaints which are fairly attributable to the direct and personal neglect of the primary laws of hygiene; diseases resulting from congenital, organic or hereditary causes; all disabilities directly traceable to the effects of alcohol, drugs and narcotics; sexual diseases and diseases peculiar to sex and the genito urinary organs; organic mental disorders and diseases of the brain; all accidental injuries, not received in the course of employment, and for which there exists no legal liability to pay damages.

Diseases which might be attributable to the State and

charged directly to the State fund are those contagious diseases, against which legal quarantines are, or can be, established over individuals; and infectious diseases, which, it is fair to assume, State supervision through an enforcement of the police powers of the State, as directed by modern science, might control, if not entirely eliminate. Where a past history exists to account directly for the infection, the responsibility might be divided, either between the State and the individual, or the State and the employer.

The diseases attributable to the occupation would include all occupational poisoning cases; the diseases contracted in caisson or under high air pressure; and all diseases due to physical strains and diseases of the nerves, which could be traceable predominatingly to employment.

There remains an indefinite field, which would tend to become constantly narrower, in which there would be no presumption and in which the responsibility might be divided. This would include a division of the responsibility for nervous diseases and for the more common communicable diseases. If the individual, previous to employment, had a history that would account for the existence of these diseases, as is usual in a great majority of cases, they could not be fairly charged to the employment or the State, though they might be aggravated by employment or public sanitary conditions. No investigations could arrive at exact proportions of responsibility in each case, but they could arrive at approximations or averages which would work for a pretty exact measure of justice as a whole.

The point to insist upon is that, unless we get some fairly approximate apportionment of the responsibility, we shall not work for the elimination of the causes and shall fail, as has been pointed out, of the highest purpose we are pursuing.

HOWELL CHENEY.